

**THE STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

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| IN THE MATTER OF: |) | |
| |) | CONSENT ORDER |
| HAYWOOD SECURITIES (USA) INC. |) | |
| |) | NO. CO-2021-0004 |
| <u>RESPONDENT</u> |) | |

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the State of Alabama, has determined as follows:

RESPONDENT

1. Haywood Securities (USA) Inc. ("HSI"), Central Registration Depository ("CRD") #42072, is a broker dealer with a business address of 200 Burrard Street, Suite 700, Vancouver, BC, V6C 3L6, CA. Haywood Securities (USA) Inc. has never been registered as a broker dealer in the State of Alabama.

STATEMENT OF FACTS

2. On August 20, 2019, HSI submitted a broker dealer application electronically, via CRD, for broker dealer registration in the State of Alabama.
3. On August 30, 2019, the Commission staff issued a phase II deficiency letter to HSI requesting, among other items, a prior sales statement.

4. On September 4, 2019, LivWell Holdings, Inc. ("LivWell") filed a notice of exemption pursuant to Rule 506B on Form D with the Commission via EFD.
5. On October 4, 2019, the Commission staff received a response to the phase II deficiency letter from HSI advising that the firm had not transacted business as a broker dealer in the State of Alabama.
6. On October 9, 2019, HSI advised the Commission that they had two accounts open for Alabama residents. HSI advised they had no place of business in Alabama and therefore claimed the *de minimis* exception pursuant to §8-6-3(b)(3), Code of Alabama 1975. On October 16, 2019, the Commission staff advised HSI that the *de minimis* exception is only available for Investment Advisers, not Broker Dealers.
7. On October 21, 2019, the Commission staff issued a visitation letter to Hilltop Securities ("Hilltop") CRD# 6220, HSI's clearing firm, requesting documentation regarding all securities transactions effected by HSI on behalf of Alabama client accounts.
8. On November 12, 2019, the Commission staff received a response to the visitation letter from Hilltop stating that there had been no activity in the three accounts that were opened for Alabama residents at Hilltop on behalf of HSI.
9. On November 13, 2019, the Commission still had pending issues with LivWell's open exemption filing regarding sales through an unregistered Broker Dealer, HSI. On the same date, a response letter from counsel stated that HSI was relying on the *de minimis* exception. On November 19, 2019, counsel was advised that the *de minimis* exception was only for Investment Advisers and information regarding the sales to Alabama investors was requested.
10. On December 6, 2019, the Commission received a response letter stating, in part, that LivWell entered into a Non-Brokered Private Placement Agreement with HSI dated July 17, 2019, which stated that HSI represented and warranted that it would be duly registered as a broker-dealer in states that offers of sale were to be made (unless exempted from the respective state's broker-

dealer registration requirements). LivWell relied on this representation and had no knowledge HSI was not registered in the State of Alabama until alerted by the Commission. HSI had already agreed to refund any commissions paid and waive any rights to warrants for the sale of securities in the State of Alabama.

11. On February 5, 2020, the Commission received a response letter outlining the sales to an Alabama resident and the associated commission, \$15,000, paid to HSI. The sales occurred on August 23, 2019 and September 20, 2019. Documentation was received that the commission had been refunded on December 5, 2019.

12. On April 17, 2020, the Commission staff issued rescission instructions to HSI. Additionally, the Commission staff advised the firm to cease all securities business in the State of Alabama until registration has been approved.

13. On May 4, 2020, HSI submitted to the Commission staff a draft rescission offer for the Alabama client. The rescission offer reflected two securities transactions between September 16, 2019 and September 23, 2019 with a total of \$15,000 commissions earned on the two securities transactions.

14. On May 5, 2020, the Commission staff emailed HSI that the drafted offer was cleared for issuance to the Alabama client.

15. On May 8, 2020, HSI submitted an email reflecting that the rescission letter had been emailed to the Alabama resident.

16. On May 12, 2020, the Commission received a signed copy of the rescission letter rejecting in full the total rescission offer.

CONCLUSIONS OF LAW

17. Pursuant to §8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact

business in this state as a dealer or agent for securities unless he or she is registered under the Act. Haywood Securities (USA) Inc., an entity not registered as a securities dealer in the State of Alabama, effected securities transactions for one Alabama resident in violation of the Act.

WHEREAS, Haywood Securities (USA) Inc. admits it effected securities transactions in the State of Alabama, and states that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that Haywood Securities (USA) Inc. understands the Commission relied upon such information and assertions in its determination to accept this Agreement and that should such information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, Haywood Securities (USA) Inc. has voluntarily waived all rights to a hearing upon entry of this Agreement and has consented to the entry of this Agreement, and

WHEREAS, the Commission finds this Agreement necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and Haywood Securities (USA) Inc. are desirous of settling this matter as hereafter set forth and agree to the entry of this Agreement,

ACCORDINGLY, IT IS HEREBY AGREED:

1. That Haywood Securities (USA) Inc. shall until such time as properly registered in the State of Alabama, refrain from effecting securities transactions into, within or from the State of Alabama.
2. That Haywood Securities (USA) Inc. shall ensure that proper policies and procedures are enacted to preclude any future non-compliance with the Act.

3. That Haywood Securities (USA) Inc. shall provide training to all employees to ensure that all trades are made by registered persons in compliance with state laws.

ACCEPTANCE AND CONSENT

1. Pursuant to §8-6-19(j)(1), Code of Alabama 1975, Haywood Securities (USA) Inc. shall pay to the **State of Alabama** an administrative assessment in the total sum of Two Thousand Five Hundred Dollars (\$2,500), said funds to be tendered in certified funds contemporaneously with the entry of this Agreement.

2. Pursuant to §8-6-19(k)(1), Code of Alabama 1975, Haywood Securities (USA) Inc. shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Two Thousand Five Hundred Dollars (\$2,500), said funds to be tendered in certified funds contemporaneously with the entry of this Agreement.

AGREED AND CONSENTED to on dates indicated:

HAYWOOD SECURITIES (USA) INC.


Robert C. Blanchard
President & CEO

DATE

April 5, 2021

APPROVED AND AGREED this 9TH day of APRIL 2021.




ALABAMA SECURITIES COMMISSION

445 Dexter Avenue, Suite 12000

Montgomery, AL 36104

(334) 242-2984

BY:


~~JOSEPH P. BORG~~ EDWIN REED
Director, DEPUTY